

Message Text

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12

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 FRB-01 TRSE-00 EB-03 INR-05

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 9771

INFO USMISSION EC BRUSSELS

C O N F I D E N T I A L ROME 2912

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, EEC, IT

SUBJECT: EUROPEAN INVESTMENT BANK AND ITALIAN CREDIT RATING

PASS FRB AND TREASURY (FOR OASIA AND COMPTROLLER OF CURRENCY)

REF: A. EC BRUSSELS 1648

B. STATE 200072

C. ROME 12086

1. SUMMARY. EMBASSY WOULD LIKE TO ENDORSE US MISSION
BRUSSELS REQUEST FOR INFORMATION ON ALLEGED ADVICE GIVEN BY
U.S. AUTHORITIES TO U.S. CREDIT RATING FIRMS ABOUT EUROPEAN
INVESTMENT BANK RATING, AS IT RELATES TO EIB'S CREDIT
EXPOSURE IN ITALY (REF A). END SUMMARY.

2. WASHINGTON AGENCIES WILL RECALL FLAP WHICH OCCURRED LAST
FALL IN ITALY AS RESULT OF PRESS REPORTS ABOUT STATEMENTS
ATTRIBUTED TO COMPTROLLER OF CURRENCY CONCERNING CREDIT WORTH-
INESS OF ITALIAN BORROWERS (REFS B AND C). AT THAT TIME, BANK
OF ITALY, TREASURY AND OTHER GOI OFFICIALS EXPRESSED SERIOUS
CONCERN TO SEVERAL EMBASSY OFFICERS ABOUT THESE REPORTS AT TIME
WHEN ITALIAN BALANCE OF PAYMENTS FINANCING PROBLEM APPEARED
PARTICULARLY ACUTE. WHILE THEY APPRECIATED EFFORTS BY
COMPTROLLER TO MINIMIZE ADVERSE EFFECTS OF PRESS REPORTS,
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CAT WAS ALREADY OUT OF THE BAG. ALSO, BY EARLY SEPTEMBER

1974 SOURCES OF FOREIGN PRIVATE CREDITS TO ITALY HAD ALREADY DRIED UP, SO THAT PRESS REPORTS SIMPLY DELIVERED THEORETICAL COUP DE GRACE. HOWEVER, SHARP IMPROVEMENT IN ITALY'S BALANCE OF PAYMENTS POSITION SINCE MID-1974 SUGGESTS THAT ITALY'S CREDIT RATING MAY IMPROVE SUFFICIENTLY IN 1975 TO PERMIT SOME MODEST NEW BORROWING IN EUROMARKET, AT LEAST BY LATE 1975. ADVERSE PUBLICITY AT THIS TIME COULD DESTROY SUCH PROSPECTS.

3. WE FULLY APPRECIATE THAT U.S. REGULATORY BODIES MAY SOMETIMES BE OBLIGED TO GIVE PRUDENT ADVICE WHEN ASKED ABOUT CREDITWORTHINESS OF FOREIGN BORROWERS. ALSO, WE ARE AWARE THAT REPORTS OF SUCH MATTERS MAY EASILY BE DISTORTED AND EXAGGERATED WITHIN BANKING AND BUSINESS COMMUNITIES AND IN THE PRESS. STILL, RESPONSIBLE U.S. GOVERNMENT AGENCIES SHOULD BE AWARE OF IMPORTANCE ATTRIBUTED TO THEIR VIEWS IN BANKING AND BUSINESS COMMUNITIES AND DAMAGE WHICH MAY BE DONE TO CREDITWORTHINESS OF A COUNTRY LIKE ITALY IF INFORMATION ON WHICH THEY BASE THEIR OPINIONS IS NOT THE LATEST AND BEST AVAILABLE AND IF USG VIEWS BECOME DISTORTED WHEN REPORTED TO BANKS AND BUSINESSES.

4. IN RECENT MONTHS EMBASSY OFFICERS HAVE BEEN TALKING TO CONTINUOUS STREAM OF REPRESENTATIVES OF U.S. BANKS WITH CREDIT EXPOSURE IN ITALY. AFTER THEIR VISITS MOST OF THESE BANKERS HAVE TAKEN A SOMEWHAT MORE POSITIVE VIEW OF REPAYMENT PROSPECTS AS RESULT OF HAVING UPDATED THEIR INFORMATION ON ITALY'S BALANCE OF PAYMENTS SITUATION AND OF REASSURANCES FROM THEIR ITALIAN CONTACTS. EMBASSY KNOWS THAT BANK OF ITALY OFFICIALS ARE DETERMINED THAT ITALIAN EUROMARKET BORROWERS WILL MEET THEIR AMORTIZATION PAYMENTS THIS YEAR ON SCHEDULE. IF BALANCE OF PAYMENTS CONTINUES TO IMPROVE AND IF SOURCES OF OFFICIAL FINANCING MATERIALIZE AS EXPECTED, THIS SHOULD NOT BE TOO DIFFICULT. IN ANY CASE, EMBASSY WOULD SIMPLY LIKE TO URGE U.S. AGENCIES TO BE SURE THAT THEY HAVE LATEST INFORMATION ON ITALIAN FINANCIAL SITUATION FROM OFFICIAL SOURCES IN U.S. GOVERNMENT AND FRB PRIOR TO GIVING ADVICE OR GUIDANCE ON CREDITWORTHINESS OF ITALIAN BORROWERS AND THAT THEY USE MAXIMUM DISCRETION IN DIVULGING INFORMATION ON THIS QUESTION. VOLPE
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